McCorry 528-8811

Bain, asst to pres.

63rd Annual Report

file

Canadian Westinghouse Company Limited

1966

Board of Directors

D. I. W. BRUCE
J. D. CAMPBELL
A. T. LAMBERT
G. G. MAIN
B. MATTHEWS
A. K. McCORD
L. METHOT
W. P. PIGOTT
F. C. WALLACE
G. L. WILCOX

G. A. PRICE
Director Emeritus

Executive Committee

J. D. CAMPBELL
G. G. MAIN
G. L. WILCOX
A. K. McCORD

Officers

J. D. CAMPBELL
President

J. A. CAMPANARO
Vice President – Central Region

W. J. CHEESMAN
Vice President – Atomic, Defence & Aerospace Group

J. E. CRANSWICK
Vice President – Marketing

J. W. HENLEY
Vice President – Personnel

D. C. MARRS
Vice President – Administration

L. A. McCALPIN
Vice President – Electronic Tubes

J. NEWELL
Vice President – Apparatus Group

E. E. ORLANDO
Vice President – Eastern Region

S. H. THURGAR
Vice President – Air Brake Group

D. I. W. BRUCE
Secretary

P. F. CONNELL
Comptroller

T. E. ROBERTSON
Treasurer

December 31, 1966

CANADIAN WESTINGHOUSE COMPANY LIMITED
HAMILTON, ONTARIO, CANADA

SIXTY-THIRD ANNUAL REPORT

1966

To the Shareholders:

Net sales billed of $208 million exceeded those of the previous year by 13%. All major product lines, except defence products, participated in the increased volume.

Income from operations of $9.7 million represented an 11% increase over $8.8 million earned in 1965. It contained absorption of costs associated with the initial production of extra high voltage power transformers in a new and expanded facility as well as additional start-up costs at the new plant in Saint-Jean, Quebec. After other income, interest expense and income taxes, net profit for the year was $4,635,746 ($1.79 per share on 2,582,773 shares outstanding). In 1965 net profit was $4,238,437 ($1.65 per share on 2,565,372 shares on the sub-divided basis). Dividends paid during the year amounted to $1,288,162 ($.50 per share). Net book value per share at December 31, 1966, was $23.62 on the sub-divided basis.

Bank indebtedness at December 31, 1966, was $16.8 million, an increase of $5.2 million from the previous year. This increase in cash requirements, details of which are shown on page seven, was due mainly to expenditures for new facilities and increased working capital to finance higher sales volume.

OPERATIONS

The electrical manufacturing industry is now completing its sixth consecutive year of growth, during which period factory shipments have increased at an average annual rate of more than ten percent. Total industry shipments in 1966 were in excess of $2 billion for the first time, the $1 billion mark having been reached in 1955. The greater part of this doubling in value of output has been accomplished in the past five years and has been at a rate that has taxed the industry's ability to keep pace with demand. Some of the pressures that have been straining the industry's resources during the past few years are now starting to ease, and there has been a slackening in the rate of growth since the second quarter of the year. While demand remains strong in most sectors, it is not sufficiently vigorous to support a continuation of the rate of expansion of the past several years. Thus, industry shipments in 1967 are expected to show a somewhat smaller gain, as the general economy moves at a more sustainable rate of growth. With continuing upward pressures on costs, the industry faces the task of improving productivity and making effective use of the new capacity added during the past few years.

Apparatus Products — The Company's shipments of heavy apparatus, including waterwheel generators, power transformers, switchgear, large motors, mine hoists, and other rotating equipment, continued at moderately higher levels than in 1965. Activity in gas turbines increased strongly during the year, with shipments to three gas pipe-line utilities in Western Canada and major installations of large gas turbine generator peaking plants in Ontario.

Shipments of light apparatus products for the utility, mining, manufacturing and construction industries, increased substantially over the previous year. The increased price of copper and copper based components added significantly to the cost of products, which was largely non-recoverable by pricing because of highly competitive market conditions.

The new facility in Saint-Jean, Quebec, which commenced manufacturing in mid-1965, increased its output rapidly during the year for utility and construction projects in virtually all provinces. It experienced many of the problems and costs associated with a new facility starting up with a wide range of complex products.

A mobile engineering inspection and test service was inaugurated by the Apparatus Service Division. This service, utilizing a van containing precision measuring devices, is equipped to test and calibrate on the job site all the elements of electrical equipment in a plant from the incoming high voltage power through every step of voltage reduction and protective relaying to final use. It provides economical service for a plant of any size at a time convenient for the customer, and may be used for all of the electrical equipment or for that portion not regularly serviced by a maintenance department. This service, presently being provided in the Toronto-Hamilton area, will be extended to other markets by the addition of more mobile vans and crews. This concept of apparatus service is somewhat analogous to the Company's mobile service for consumer products, which has been extended to twenty-four centres across the country.

Consumer Products—The market for consumer electrical products continued buoyant through the year with the Company's products maintaining a strong position. Contributing to this was public acceptance of the Company's appliance products augmented by effective advertising and a strengthened dealer organization. A well styled line of high quality colour television sets was introduced during the year to take advantage of the rapid growth in the market due to the initiation of colour broadcasting in Canada. The first stage of planning for the future expansion of manufacturing facilities for major appliances was implemented by the purchase of a seventy-five acre site of industrial land in Kitchener, Ontario. Demand for consumer electrical products is anticipated to continue at a good level through 1967. The fall-off in new housing completions during at least the first half of the year means that increased sales will depend to an important extent upon low-saturation product markets. The Company is particularly strong in these markets with its highly rated lines of automatic laundry equipment, dishwashers and room air conditioners. Colour television will provide the greatest impetus to sales, since vigorous market growth is anticipated.

Defence — Continued reduction in orders for electronic defence systems for the Canadian armed forces was offset only partially by increased export business in both commercial and defence electronics. This resulted in reduced activity during the year in both engineering and manufacturing. However, major orders have been booked for naval projectiles for the Canadian, United Kingdom and Netherlands navies. In addition, substantial orders have been booked for radar and line tracing equipment (LINATROL), all of which will result in an increase in manufacturing output during 1967.

Atomic Power — Design and manufacturing development work on fuel for the Pickering atomic generating station of Ontario Hydro and the Gentilly atomic power generating station of Hydro Quebec continued throughout the year, and a large order was received for calandria tubes for the Pickering station. Atomic fuel and components were manufactured for Canada's NRX and NRU research reactors, the NPD (Nuclear Power Demonstrator) reactor, and the Ontario Hydro's Douglas Point reactor. Shipments of fuel and fuel components were made to the United Kingdom, France and India, and orders were received for fuel to be delivered in 1967 for Switzerland's DIORIT reactor and the Canadian organic cooled WR-1 Whiteshell reactor.

Air Brake—Increased demands for freight car and locomotive brake equipment, and a revival of interest in commuter and inter-urban passenger transportation, have made a notable improvement in current activity and future prospects for railroad brake equipment. The continued development of specialized cars to handle bulk commodities such as potash, sulphur and iron ore concentrates, as well as the introduction of new freight handling methods for automobiles, pulpwood, bulk liquids and containerized freight, have also contributed to the improvement in the demand for air brakes. Changeover of pro-

duction lines to the new ABD brake equipment was made, and a major phase of equipment modernization with the installation of programmed machine tools was completed during the year. Bookings have increased in pneumatic and hydraulic "fluid power" products for the mining, marine and industrial markets, and added emphasis on marketing complete technical systems in these fields has increased market participation.

Research and Development — A further addition was made to the laboratory facilities for the development of microminiature integrated circuits. Technical progress in this field has been more rapid than anticipated, and sample devices have been provided to production departments for trial applications. The nuclear materials laboratories have been expanded to accommodate stepped-up programs in alloy development, corrosion testing and the fabrication of materials unique to the construction of nuclear reactors. A major project has been undertaken for the evaluation of electrical insulation under thermal and electrical stress, which will assist engineers working on advanced designs involving insulating systems.

Exports—There was a notable gain in export shipments over the level of the past two years, with much of the increase going to the United States. These included a substantial quantity of refrigerators, newly developed electro-luminescent display panels, electronic receiving tubes, and nuclear fuel. Exports to some sixty other countries included power transformers to India, Pakistan and Australia, large motors to New Zealand, industrial steam turbines to Saudi Arabia, and refrigerators and freezers to the United Kingdom and the West Indies.

EMPLOYEE RELATIONS

Total employment at the year's end was 10,843, an increase of 400 over the previous year. There were 81 retirements during the year to bring the number of pensioners to 710.

Employee contributions to pension plans amounted to $1,666,000, and the Company's contributions were $2,045,000, of which an amount of $788,000 was paid for the Canada and Quebec Pension Plans. Benefits, exclusive of pensions, amounted to more than $2,000,000 during the year.

Ten labour agreements were negotiated in 1966 without stoppage of work. The agreement reached in 1964 with the hourly-paid employees of the Company's Hamilton plants expires in April 1967.

The number of employee suggestions elicited under the Suggestion Plan was 3,002, of which 42% were adopted and $35,507 paid in awards.

GENERAL

Capital expenditures of $6.2 million were slightly higher than those of the previous year. Major expenditures included the completion and equipping of the high bay extension of the Beach Road transformer plant, additional machinery and equipment for the Saint-Jean, Quebec plant, the completion of the Apparatus Service shop in Vancouver, and the commencement of construction of a national lamp warehouse at Trois Rivières. Other major expenditures were for upgrading machine tools and processing equipment.

It is with regret that I record the death of Mr. Harold A. Cooch on November 17, 1966. Mr. Cooch retired in 1955 as Chairman of the Board of Directors after a distinguished career with the Company that spanned forty-three years.

On behalf of the Directors I wish to express appreciation to our employees at all of the Company's locations in Canada for their loyalty and good work during the year.

BY ORDER OF THE BOARD

PRESIDENT

HAMILTON, ONTARIO
FEBRUARY 7, 1967

CANADIAN WESTINGHO

(Incorporated und

CONSOLIDATED BALANCE

(WITH COMPARAT

ASSETS

		1966		1965
CURRENT ASSETS:				
Cash	$	141,175	$	109,382
Accounts receivable		39,700,504		36,314,748
Inventories valued at the lower of cost or realizable value (less progress payments thereon $6,261,045 in 1966; $8,851,244 in 1965)		47,038,188		40,836,259
Prepaid expenses		937,735		896,728
Total current assets		87,817,602		78,157,117
FIXED ASSETS:				
Land, buildings, plant and equipment — at cost		70,378,156		65,146,960
Less accumulated depreciation		39,310,069		37,048,895
		31,068,087		28,098,065
SPECIAL REFUNDABLE INCOME TAXES		251,000		
OTHER ASSETS — at cost		1,666,075		2,492,340
	$	120,802,764	$	108,747,522

On behalf of the Board:

J. D. CAMPBELL, *Director*

D. I. W. BRUCE, *Director*

E COMPANY LIMITED

laws of Canada)

EET DECEMBER 31, 1966

GURES FOR 1965)

LIABILITIES

	1966	*1965*
CURRENT LIABILITIES:		
Bank indebtedness	$ 16,818,684	$ 11,612,813
Accounts payable and accrued charges	22,689,322	21,791,013
Income and other taxes payable	5,937,138	3,913,470
Total current liabilities	45,445,144	37,317,296
ACCUMULATED TAX REDUCTIONS applicable to future years (note 1)	5,520,000	4,281,000
FUNDED DEBT (note 2):		
4½% sinking fund debentures due March 15, 1969 — Issued less redeemed	8,820,000	9,673,000
SHAREHOLDERS' EQUITY:		
Capital stock (note 3) —		
Authorized — 3,600,000 shares of no par value		
Issued — 2,582,773 shares	13,811,678	13,617,868
Earned surplus	47,205,942	43,858,358
	61,017,620	57,476,226
	$ 120,802,764	$ 108,747,522

Consolidated Statement of Income and Earned Surplus

FOR YEAR ENDED DECEMBER 31, 1966

(WITH COMPARATIVE FIGURES FOR 1965)

Income

	1966	1965
Sales	$ 207,953,579	$ 184,010,043
Operating costs and expenses (including depreciation of $3,243,760 in 1966 and $2,806,991 in 1965)	198,204,575	175,190,529
Income from operations	9,749,004	8,819,514
Other income:		
Profit on disposal of fixed assets	112,321	100,823
Investment income	109,493	70,763
Discount on debentures purchased for redemption	25,970	15,722
	9,996,788	9,006,822
Interest:		
Debentures	435,305	470,364
Bank and other short-term indebtedness	925,737	298,021
	1,361,042	768,385
Income before income taxes	8,635,746	8,238,437
Income taxes (note 1)	4,000,000	4,000,000
Net income for year	$ 4,635,746	$ 4,238,437

Earned Surplus

	1966	1965
Balance at beginning of year	$ 43,858,358	$ 40,636,349
Net income for year	4,635,746	4,238,437
	48,494,104	44,874,786
Dividends declared (1966 — 50c per share; 1965 — 40c per share)	1,288,162	1,016,428
Balance at end of year	$ 47,205,942	$ 43,858,358

CANADIAN WESTINGHOUSE COMPANY LIMITED

Consolidated Statement of Changes in Cash Position

FOR YEAR ENDED DECEMBER 31, 1966

FUNDS OBTAINED FROM:		
Operations —		
Net income for year	4,635,746	
Charges not requiring cash outlays:		
Depreciation	3,243,760	
Taxes deferred to future years	1,239,000	$ 9,118,506
Proceeds from shares issued		193,810
Reduction of other assets		826,265
		10,138,581
FUNDS USED FOR:		
New facilities and equipment		6,213,782
Purchase of debentures for cancellation		853,000
Special refundable income taxes		251,000
Dividends to shareholders		1,288,162
Financing of increases in —		
Accounts receivable	3,385,756	
Inventories (including reduction in progress payments from customers, $2,590,199)	6,201,929	
Prepaid expenses	41,007	
	9,628,692	
Offset in part by increases in accounts and taxes payable	2,921,977	6,706,715
		15,312,659
REDUCTION IN CASH POSITION		$ 5,174,078

Notes To Consolidated Financial Statements

December 31, 1966

(1) INCOME TAXES —

As a result of claiming capital cost allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by $1,239,000 ($1,556,000 in 1965) and accordingly this amount is included in the balance sheet under the item "Accumulated tax reductions applicable to future years".

(2) FUNDED DEBT —

The 4½% sinking fund debentures require annual sinking fund payments of $860,000. The 1967 instalment was provided for before December 31, 1966.

(3) CAPITAL STOCK —

By supplementary letters patent dated April 26, 1966 the 900,000 authorized common shares were subdivided into 3,600,000 shares.

During the year 17,400 shares (expressed as subdivided shares) were issued for cash, $193,800, under options granted to certain employees, and one share was issued through conversion of fractional shares, $10.

At December 31, 1966 there remained outstanding options to purchase an aggregrate of 17,200 subdivided shares (including 9,000 shares optioned to officers) at prices varying from $6.25 to $13.25 per share, expiring at various dates up to February 1, 1970.

(4) STATUTORY INFORMATION —

Expenses for 1966 include remuneration received by directors as directors, officers and employees, $129,344.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN WESTINGHOUSE COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Westinghouse Company Limited and its wholly-owned subsidiaries as at December 31, 1966 and the consolidated statements of income and earned surplus and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated financial statements present fairly the financial position of the companies as at December 31, 1966 and the results of their operations and changes in their cash position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

Hamilton, Canada,
January 20, 1967.

HEAD OFFICE

HAMILTON, ONTARIO

PLANTS

TROIS RIVIERES, QUE.	ETOBICOKE, ONT.	BRANTFORD, ONT.
GRANBY, QUE.	GRIMSBY, ONT.	GALT, ONT.
SAINT-JEAN, QUE.	HAMILTON, ONT.	LONDON, ONT.
PORT HOPE, ONT.		VANCOUVER, B.C.

SALES OFFICES

HALIFAX, N.S.	TORONTO, ONT.	REGINA, SASK.
MONCTON, N.B.	HAMILTON, ONT.	SASKATOON, SASK.
SEPT-ILES, QUE.	LONDON, ONT.	CALGARY, ALTA.
CHICOUTIMI, QUE.	WINDSOR, ONT.	EDMONTON, ALTA.
QUEBEC CITY, QUE.	FORT WILLIAM, ONT.	TRAIL, B.C.
MONTREAL, QUE.	WINNIPEG, MAN.	VANCOUVER, B.C.
OTTAWA, ONT.		VICTORIA, B.C.

APPARATUS SERVICE CENTRES

HALIFAX, N.S.	TORONTO, ONT.	CALGARY, ALTA.
MONCTON, N.B.	HAMILTON, ONT.	EDMONTON, ALTA.
SEPT-ILES, QUE.	SWASTIKA, ONT.	VANCOUVER, B.C.
MONTREAL, QUE.	WINNIPEG, MAN.	NANAIMO, B.C.
	SASKATOON, SASK.	

CONSUMER PRODUCTS FACTORY SERVICE CENTRES

ST. JOHN'S, NFLD.	MONTREAL, QUE.	WINDSOR, ONT.
HALIFAX, N.S.	SAINT-JEAN, QUE.	FORT WILLIAM, ONT.
CHICOUTIMI, QUE.	OTTAWA, ONT.	WINNIPEG, MAN.
QUEBEC CITY, QUE.	TORONTO, ONT.	REGINA, SASK.
SHERBROOKE, QUE.	ST. CATHARINES, ONT.	CALGARY, ALTA.
TROIS RIVIERES, QUE.	HAMILTON, ONT.	EDMONTON, ALTA.
DRUMMONDVILLE, QUE.	KITCHENER, ONT.	VANCOUVER, B.C.
GRANBY, QUE.	LONDON, ONT.	VICTORIA, B.C.